

GRANTSVILLE CITY CORPORATION

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2007

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INDEPENDENT AUDITORS' REPORT

To The Honorable Mayor and
Members of the City Council
Grantsville City Corporation, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grantsville City Corporation, Utah, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Grantsville City Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grantsville City Corporation, Utah, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2008, on our consideration of Grantsville City Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 12 and 41 through 42 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied

certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grantsville City Corporation's basic financial statements. The combining nonmajor fund financial statements and schedule of impact fees are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The schedule of impact fees has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Pinnock, Robbins, Posey & Richins

January 23, 2008

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

GRANTSVILLE CITY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2007

As management of Grantsville City Corporation, we offer readers of the Grantsville City financial statements this narrative overview and analysis of the financial activities of Grantsville City for the fiscal year ended June 30, 2007.

Financial Highlights

- Total net assets increased by \$2,096,852.
- Total general fund expenditures exceeded total general fund revenues, including taxes, by \$500,010.
- Total net assets in the business-type activities increased by \$1,223,114.
- Total revenues from all sources were \$7,465,946.
- The total cost of all City programs was \$5,369,094.
- Actual resources received in the general fund were \$146,874 more than budgeted while actual expenditures were \$187,339 less than budgeted.
- At the end of the current fiscal year, unreserved fund balance in the general fund was \$811,776 or 20% of total general fund expenditures.

Overview of the financial Statements

This discussion and analysis is intended to serve as an introduction to Grantsville City's basic financial statements. Grantsville City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of Grantsville City's finances, in a manner similar to private-sector business.

The statement of net assets presents information on all of Grantsville City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Grantsville City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Grantsville City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Grantsville City include general

GRANTSVILLE CITY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

government, public safety, highways and public works, and parks and recreation. The business-type activities of Grantsville City include water, sewer, and garbage utilities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Grantsville City, like any other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Grantsville City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Grantsville City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund and Redevelopment Agency Fund which are considered to be major funds. Data from the other three governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Grantsville City adopts an annual appropriated budget for all its fund types. A budgetary comparison statement has been provided for the general and redevelopment agency funds to demonstrate compliance with this budget.

Proprietary funds. Grantsville City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Grantsville City uses enterprise funds to account for its Water Utility Fund, Sewer Utility Fund, and Garbage Utility Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Utility Fund, Sewer Utility Fund, and Garbage Utility Fund, all of which are considered to be major funds of Grantsville City.

GRANTSVILLE CITY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Grantsville City, assets exceeded liabilities by \$17,356,040 at the close of the most recent fiscal year.

By far the largest portion of Grantsville City's net assets (\$10,774,801) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. Grantsville City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Grantsville City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 2,754,411	\$ 5,209,074	\$ 4,597,554	\$ 3,249,575	\$ 7,351,965	\$ 8,458,649
Capital assets	<u>5,123,252</u>	<u>2,420,192</u>	<u>9,411,549</u>	<u>9,712,788</u>	<u>14,534,801</u>	<u>12,132,980</u>
Total assets	<u>\$ 7,877,663</u>	<u>\$ 7,629,266</u>	<u>\$14,009,103</u>	<u>\$12,962,363</u>	<u>\$21,886,766</u>	<u>\$20,591,629</u>
Other liabilities	\$ 614,440	\$ 991,852	\$ 349,026	\$ 320,400	\$ 963,466	\$ 1,312,252
Long-term liabilities outstanding	<u>2,012,260</u>	<u>2,260,189</u>	<u>1,555,000</u>	<u>1,760,000</u>	<u>3,567,260</u>	<u>4,020,189</u>
Total liabilities	<u>\$ 2,626,700</u>	<u>\$ 3,252,041</u>	<u>\$ 1,904,026</u>	<u>\$ 2,080,400</u>	<u>\$ 4,530,726</u>	<u>\$ 5,332,441</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 3,123,252	\$ 1,753,192	\$ 7,651,549	\$ 7,750,788	\$10,774,801	\$ 9,503,980
Restricted	929,049	3,034,846	2,736,732	1,344,261	3,665,781	4,379,107
Unrestricted	<u>1,198,662</u>	<u>(410,813)</u>	<u>1,716,796</u>	<u>1,786,914</u>	<u>2,915,458</u>	<u>1,376,101</u>
Total net assets	<u>\$ 5,250,963</u>	<u>\$ 4,377,225</u>	<u>\$12,105,077</u>	<u>\$10,881,963</u>	<u>\$17,356,040</u>	<u>\$15,259,188</u>

An additional portion of Grantsville City's net assets (\$3,665,781) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$2,915,458) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Grantsville City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its business-type activities.

There was an increase of \$2,096,852 in total net assets in the current year. This increase is comprised of an \$873,738 increase in governmental activities and a \$1,223,114 increase in business-type activities.

GRANTSVILLE CITY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for service	\$ 1,313,900	\$ 1,037,791	\$ 2,748,750	\$ 1,974,315	\$ 4,062,650	\$ 3,012,106
Operating grants and contributions	352,090	340,311	—	—	352,090	340,311
Capital grants and contributions	—	126,803	—	422,245	—	549,048
General revenues:						
Property taxes	1,559,206	1,568,242	—	—	1,559,206	1,568,242
General sales and use tax	904,336	765,173	—	—	904,336	765,173
Franchise tax	317,377	315,094	—	—	317,377	315,094
Highway tax	11,448	10,785	—	—	11,448	10,785
Unrestricted investment earnings	121,685	91,519	137,154	100,858	258,839	192,377
Miscellaneous	—	5,583	—	—	—	5,583
Total revenues	<u>4,580,042</u>	<u>4,261,301</u>	<u>2,885,904</u>	<u>2,497,418</u>	<u>7,465,946</u>	<u>6,758,719</u>
Expenses:						
General government	1,317,678	987,126	—	—	1,317,678	987,126
Public safety	1,366,517	1,336,685	—	—	1,366,517	1,336,685
Highways and public works	530,879	286,673	—	—	530,879	286,673
Parks and recreation	428,075	357,580	—	—	428,075	357,580
Interest on long-term debt	63,155	47,077	—	—	63,155	47,077
Water Utility	—	—	733,254	741,686	733,254	741,686
Sewer Utility	—	—	628,671	583,977	628,671	583,977
Garbage Utility	—	—	300,865	276,497	300,865	276,497
Total expenses	<u>3,706,304</u>	<u>3,015,141</u>	<u>1,662,790</u>	<u>1,602,160</u>	<u>5,369,094</u>	<u>4,617,301</u>
Increase in net assets before transfers	873,738	1,246,160	1,223,114	895,258	2,096,852	2,141,418
Transfers	—	—	—	—	—	—
Change in net assets	873,738	1,246,160	1,223,114	895,258	2,096,852	2,141,418
Net assets- beginning	<u>4,377,225</u>	<u>3,131,065</u>	<u>10,881,963</u>	<u>9,986,705</u>	<u>15,259,188</u>	<u>13,117,770</u>
Net assets- ending	<u>\$ 5,250,963</u>	<u>\$ 4,377,225</u>	<u>\$12,105,077</u>	<u>\$10,881,963</u>	<u>\$17,356,040</u>	<u>\$15,259,188</u>

Governmental activities. Governmental activities increased Grantsville City's net assets by \$873,738. The increase in governmental activities is primarily explained by the following:

- Increase in fees for development-related activities
- An increase in sales tax revenue of 18%

GRANTSVILLE CITY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Expense and Program Revenue – Governmental Activities

	<u>Expense</u>	<u>Program Revenue</u>	Net Governmental Activities
General government	\$ 1,317,678	\$ 897,509	\$ (420,169)
Public safety	1,366,517	293,958	(1,072,559)
Highways and public works	530,879	293,484	(237,395)
Parks and recreation	428,075	181,039	(247,036)
Interest on long-term debt	<u>63,155</u>	<u>—</u>	<u>(63,155)</u>
Total Governmental Activities	<u>\$ 3,706,304</u>	<u>\$ 1,665,990</u>	<u>(2,040,314)</u>
General revenues:			
Property taxes			1,559,206
General sales and use tax			904,336
Franchise tax			317,377
Highway tax			11,448
Unrestricted investment earnings			<u>121,685</u>
TOTAL GENERAL REVENUES			<u>2,914,052</u>
CHANGE IN NET ASSETS			873,738
NET ASSETS – BEGINNING			<u>4,377,225</u>
NET ASSETS - ENDING			<u>\$ 5,250,963</u>

Business-type activities. Business-type activities increased Grantsville City's net assets by \$1,223,114. The increase in business-type activities is primarily due to:

- An increase in user fees due to 9% growth
- An increase in fees due to growth-related activities

Expenses and Program Revenues – Business-type Activities

	<u>Expense</u>	<u>Program Revenue</u>	Net Business-type Activities
Water Utility	\$ 733,254	\$ 1,261,393	\$ 528,139
Sewer Utility	628,671	1,140,833	512,162
Garbage Utility	<u>300,865</u>	<u>346,524</u>	<u>45,659</u>
TOTAL	<u>\$ 1,662,790</u>	<u>\$ 2,748,750</u>	<u>\$ 1,085,960</u>

Financial Analysis of the Government's Funds

As noted earlier, Grantsville City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

GRANTSVILLE CITY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Governmental funds. The focus of Grantsville City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Grantsville City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Grantsville City's governmental funds reported combined ending fund balances of \$1,502,077. Approximately 38% of this total amount or \$573,028 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for a variety of other restricted purposes.

The general fund is the chief operating fund of Grantsville City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$811,776, while total fund balance reached \$1,565,320. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 20% of total general fund expenditures, while total fund balance represents 38% of that amount.

Proprietary funds. Grantsville City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water Utility Fund at the end of the year amounted to \$844,382, for the Sewer Utility Fund, unrestricted net assets amounted to \$581,124, and for the Garbage Utility Fund, unrestricted net assets amounted to \$291,290.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were substantial (\$618,342 increase in appropriations or 17% of the original expenditure budget). Key factors contributing to the increase include the following:

- Use of Class C road funds from reserves
- Unforeseen rise in fuel costs

Actual expenditures were \$187,339 less than budgeted expenditures. Key factors contributing to this variance include the following:

- Certain sidewalk projects were not completed prior to year-end
- Anticipated year-end expenditures were not made

Capital Assets and Debt Administration

Capital assets. Grantsville City's investment in capital assets for its governmental and business-type activities as of June 30, 2007 amounts to \$14,534,801 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities and roads. The total net increase in Grantsville City's investment in capital assets for the current fiscal year was \$2,401,821.

GRANTSVILLE CITY CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Major capital asset events during the current fiscal year included the following:

- Completion of fire station - \$2,300,000
- Quirk Street storm drain - \$396,000
- Old Lincoln Highway water line - \$101,000

**Capital Assets
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 730,332	\$ 730,332	\$ —	\$ —	\$ 730,332	\$ 730,332
Buildings	2,959,692	610,285	409,613	433,170	3,369,305	1,043,455
Improvements	126,552	140,463	8,729,447	9,006,376	8,855,999	9,146,839
Machinery and equipment	325,326	364,715	272,489	273,242	597,815	637,957
Infrastructure	953,039	368,611	—	—	953,039	368,611
Construction-in-progress	28,311	205,786	—	—	28,311	205,786
TOTAL	<u>\$ 5,123,252</u>	<u>\$ 2,420,192</u>	<u>\$ 9,411,549</u>	<u>\$ 9,712,788</u>	<u>\$14,534,801</u>	<u>\$12,132,980</u>

Additional information on Grantsville City's capital assets can be found at Note 4.

Long-term debt. At the end of the current fiscal year, Grantsville City had total bonded debt outstanding of \$3,760,000. All of Grantsville City's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

**Outstanding Debt
Revenue Bonds**

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue bonds	\$ 2,000,000	\$ 2,667,000	\$ 1,760,000	\$ 1,962,000	\$ 3,760,000	\$ 4,629,000

Grantsville City's total debt decreased by \$869,000 (19%) during the current fiscal year, as a result of principal payments made on existing bonds.

Additional information on Grantsville City's long-term debt can be found in Note 7.

Requests for Information

This financial report is designed to provide a general overview of Grantsville City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Recorder, 429 East Main Street, Grantsville, Utah 84029.

BASIC FINANCIAL STATEMENTS

GRANTSVILLE CITY CORPORATION

STATEMENT OF NET ASSETS

JUNE 30, 2007

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 941,369	\$ 1,026,881	\$ 1,968,250
Accounts receivable - net	-	152,964	152,964
Special assessment taxes receivable	261	-	261
Taxes receivable	958,115	-	958,115
Other receivables	17,641	-	17,641
Inventories	118,651	62,961	181,612
Internal balances	(430,340)	430,340	-
Due from other governmental units	61,218	-	61,218
Deferred charges	21,658	3,551	25,209
Water rights	-	184,125	184,125
Note receivable	82,725	-	82,725
Restricted assets:			
Cash and cash equivalents	983,113	2,736,732	3,719,845
Capital assets (net of accumulated depreciation):			
Land	730,332	-	730,332
Buildings	2,959,692	409,613	3,369,305
Improvements	126,552	8,729,447	8,855,999
Machinery and equipment	325,326	272,489	597,815
Infrastructure	953,039	-	953,039
Construction in progress	<u>28,311</u>	<u>-</u>	<u>28,311</u>
 TOTAL ASSETS	 <u>7,877,663</u>	 <u>14,009,103</u>	 <u>21,886,766</u>
 LIABILITIES:			
Accounts payable and accrued liabilities	479,157	135,971	615,128
Accrued interest payable	48,770	8,055	56,825
Noncurrent liabilities:			
Due within one year	86,513	205,000	291,513
Due in more than one year	<u>2,012,260</u>	<u>1,555,000</u>	<u>3,567,260</u>
 TOTAL LIABILITIES	 <u>2,626,700</u>	 <u>1,904,026</u>	 <u>4,530,726</u>
 NET ASSETS:			
Invested in capital assets, net of related debt	3,123,252	7,651,549	10,774,801
Restricted for:			
Public safety	340,802	-	340,802
Highways and public works	277,398	-	277,398
Parks and recreation	300,743	-	300,743
Debt service	10,106	410,215	420,321
Water projects	-	950,238	950,238
Sewer projects	-	1,376,279	1,376,279
Unrestricted	<u>1,198,662</u>	<u>1,716,796</u>	<u>2,915,458</u>
 TOTAL NET ASSETS	 <u>\$ 5,250,963</u>	 <u>\$12,105,077</u>	 <u>\$ 17,356,040</u>

The notes to the financial statements are an integral part of this statement.

GRANTSVILLE CITY CORPORATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities:						
General government	\$ 1,317,678	\$ 897,509	\$ —	\$ —	\$ (420,169)	\$ —
Public safety	1,366,517	245,312	48,646	—	(1,072,559)	—
Highways and public works	530,879	40	293,444	—	(237,395)	—
Parks and recreation	428,075	171,039	10,000	—	(247,036)	—
Interest on long-term debt	63,155	—	—	—	(63,155)	—
TOTAL GOVERNMENTAL ACTIVITIES	3,706,304	1,313,900	352,090	—	(2,040,314)	—
Business-type activities:						
Water utility	733,254	1,261,393	—	—	—	528,139
Sewer utility	628,671	1,140,833	—	—	—	512,162
Garbage utility	300,865	346,524	—	—	—	45,659
TOTAL BUSINESS-TYPE ACTIVITIES	1,662,790	2,748,750	—	—	—	1,085,960
TOTAL	\$ 5,369,094	\$ 4,062,650	\$ 352,090	\$ —	(2,040,314)	(954,354)
General revenues:						
Property taxes					1,559,206	—
General sales and use tax					904,336	—
Energy sales and use tax					317,377	—
Franchise tax					11,448	—
Unrestricted investment earnings					121,685	137,154
TOTAL GENERAL REVENUES					2,914,052	137,154
CHANGE IN NET ASSETS					873,738	1,223,114
NET ASSETS - BEGINNING					4,377,225	10,881,963
NET ASSETS - ENDING					\$ 5,250,963	\$ 12,105,077
						\$ 17,356,040

The notes to the financial statements are an integral part of this statement.

GRANTSVILLE CITY CORPORATION
BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2007

	General Fund	Capital Projects Fund	Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 627,118	\$ 44,586	\$ 257,366	\$ 12,299	\$ 941,369
Receivables (net):					
Special assessment	—	—	—	261	261
Taxes	958,115	—	—	—	958,115
Other	17,641	—	—	—	17,641
Intergovernmental	61,218	—	—	—	61,218
Inventories	118,651	—	—	—	118,651
Note receivable	82,725	—	—	—	82,725
Cash and cash equivalents - restricted	<u>817,714</u>	<u>165,399</u>	<u>—</u>	<u>—</u>	<u>983,113</u>
TOTAL ASSETS	<u>\$ 2,683,182</u>	<u>\$ 209,985</u>	<u>\$ 257,366</u>	<u>\$ 12,560</u>	<u>\$ 3,163,093</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 366,343	\$ 112,814	\$ —	\$ —	\$ 47,157
Notes payable - interfund	—	335,256	95,084	—	430,340
Deferred revenue	<u>751,519</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>751,519</u>
TOTAL LIABILITIES	<u>1,117,862</u>	<u>448,070</u>	<u>95,084</u>	<u>—</u>	<u>1,661,016</u>
Fund Balances:					
Reserved for:					
Roads	277,398	—	—	—	277,398
Capital improvements	476,146	165,399	—	—	641,545
Debt service	—	—	—	10,106	10,106
Unreserved, reported in:					
General fund	811,776	—	—	—	811,776
Capital projects funds	—	(403,484)	—	—	(403,484)
Special revenue funds	<u>—</u>	<u>—</u>	<u>162,282</u>	<u>2,454</u>	<u>164,736</u>
TOTAL FUND BALANCES	<u>1,565,320</u>	<u>(238,085)</u>	<u>162,282</u>	<u>12,560</u>	<u>1,502,077</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,683,182</u>	<u>\$ 209,985</u>	<u>\$ 257,366</u>	<u>\$ 12,560</u>	<u>\$ 3,163,093</u>

The notes to the financial statements are an integral part of this statement.

GRANTSVILLE CITY CORPORATION
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

JUNE 30, 2007

Total fund balances - governmental fund types	\$ 1,502,077
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	5,123,252
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	751,519
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(2,125,885)</u>
Net assets of governmental activities	<u>\$ 5,250,963</u>

GRANTSVILLE CITY CORPORATION

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Capital Projects Fund	Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 1,872,672	\$ —	\$ 774,974	\$ —	\$ 2,647,646
Licenses and permits	395,225	—	—	—	395,225
Intergovernmental	372,090	—	—	—	372,090
Charges for services	461,264	—	—	—	461,264
Impact fees	201,775	—	—	—	201,775
Fines and forfeitures	176,457	—	—	—	176,457
Investment earnings	82,512	37,542	—	1,631	121,685
Miscellaneous revenue	59,179	—	—	—	59,179
TOTAL REVENUES	<u>3,621,174</u>	<u>37,542</u>	<u>774,974</u>	<u>1,631</u>	<u>4,435,321</u>
EXPENDITURES:					
Current:					
General government	1,282,231	—	—	7	1,282,238
Public safety	1,359,346	2,199,075	—	—	3,558,421
Highways and public works	1,068,991	—	—	—	1,068,991
Parks and recreation	410,616	—	—	—	410,616
Debt service:					
Principal	—	—	667,000	—	667,000
Interest and fiscal charges	—	—	28,231	—	28,231
TOTAL EXPENDITURES	<u>4,121,184</u>	<u>2,199,075</u>	<u>695,231</u>	<u>7</u>	<u>7,015,497</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(500,010)</u>	<u>(2,161,533)</u>	<u>79,743</u>	<u>1,624</u>	<u>(2,580,176)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	—	—	—	—	—
Transfers out	—	—	—	—	—
TOTAL OTHER FINANCING SOURCES (USES)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
NET CHANGE IN FUND BALANCES	(500,010)	(2,161,533)	79,743	1,624	(2,580,176)
FUND BALANCES - BEGINNING	<u>2,065,330</u>	<u>1,923,448</u>	<u>82,539</u>	<u>10,936</u>	<u>4,082,253</u>
FUND BALANCES - ENDING	<u>\$ 1,565,320</u>	<u>\$ (238,085)</u>	<u>\$ 162,282</u>	<u>\$ 12,560</u>	<u>\$ 1,502,077</u>

The notes to the financial statements are an integral part of this statement.

GRANTSVILLE CITY CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ (2,580,176)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	2,703,060
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	144,721
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net affect of these differences in the treatment of long-term debt and related items	667,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	<u>(60,867)</u>
Change in net assets of governmental activities	<u>\$ 873,738</u>

GRANTSVILLE CITY CORPORATION

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

JUNE 30, 2007

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Garbage Utility</u>	<u>Total</u>
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 584,779	\$ 159,589	\$ 282,513	\$ 1,026,881
Accounts receivable - net	68,683	52,158	32,123	152,964
Inventories	57,706	5,255	—	62,961
Due from other funds	<u>52,462</u>	<u>—</u>	<u>—</u>	<u>52,462</u>
TOTAL CURRENT ASSETS	<u>763,630</u>	<u>217,002</u>	<u>314,636</u>	<u>1,295,268</u>
Noncurrent assets:				
Restricted cash and cash equivalents	1,046,120	1,690,612	—	2,736,732
Notes receivable - interfund	—	430,340	—	430,340
Land, equipment, buildings and improvements	7,761,110	6,977,308	—	14,738,418
Less: accumulated depreciation	(2,373,072)	(2,953,797)	—	(5,326,869)
Water rights	184,125	—	—	184,125
Deferred bond financing costs - net	<u>—</u>	<u>3,551</u>	<u>—</u>	<u>3,551</u>
TOTAL NONCURRENT ASSETS	<u>6,618,283</u>	<u>6,148,014</u>	<u>—</u>	<u>12,766,297</u>
TOTAL ASSETS	<u>7,381,913</u>	<u>6,365,016</u>	<u>314,636</u>	<u>14,061,565</u>
LIABILITIES:				
Current liabilities:				
Accounts payable and accrued liabilities	95,318	17,307	23,346	135,971
Due to other funds	—	52,462	—	52,462
Accrued interest payable	8,055	—	—	8,055
Revenue bonds payable	<u>41,000</u>	<u>164,000</u>	<u>—</u>	<u>205,000</u>
TOTAL CURRENT LIABILITIES	<u>144,373</u>	<u>233,769</u>	<u>23,346</u>	<u>401,488</u>
Noncurrent liabilities:				
Revenue bonds payable	<u>407,000</u>	<u>1,148,000</u>	<u>—</u>	<u>1,555,000</u>
TOTAL NONCURRENT LIABILITIES	<u>407,000</u>	<u>1,148,000</u>	<u>—</u>	<u>1,555,000</u>
TOTAL LIABILITIES	<u>551,373</u>	<u>1,381,769</u>	<u>23,346</u>	<u>1,956,488</u>
Net assets:				
Invested in capital assets, net of related debt	4,940,038	2,711,511	—	7,651,549
Restricted	1,046,120	1,690,612	—	2,736,732
Unrestricted	<u>844,382</u>	<u>581,124</u>	<u>291,290</u>	<u>1,716,796</u>
TOTAL NET ASSETS	<u>\$ 6,830,540</u>	<u>\$ 4,983,247</u>	<u>\$ 291,290</u>	<u>\$12,105,077</u>

The notes to the financial statements are an integral part of this statement.

GRANTSVILLE CITY CORPORATION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Garbage Utility</u>	<u>Total</u>
OPERATING REVENUES:				
Water sales	\$ 601,054	\$ —	\$ —	\$ 601,054
Sewer charges	—	574,288	—	574,288
Garbage collection charges	—	—	346,524	346,524
Impact fees	588,128	561,411	—	1,149,539
Connection fees	59,590	4,834	—	64,424
Miscellaneous	12,621	300	—	12,921
TOTAL OPERATING REVENUES	<u>1,261,393</u>	<u>1,140,833</u>	<u>346,524</u>	<u>2,748,750</u>
OPERATING EXPENSES:				
Salaries and wages	132,292	124,689	2,385	259,366
Employee benefits	68,765	68,435	694	137,894
Materials and supplies	172,073	144,599	24,226	340,898
Administrative	20,000	14,000	1,000	35,000
Professional services	14,781	7,670	—	22,451
Depreciation	271,085	267,017	—	538,102
Miscellaneous	5,925	2,261	4,429	12,615
Waste collection and disposal	—	—	268,131	268,131
Amortization of bond financing costs	24,033	—	—	24,033
TOTAL OPERATING EXPENSES	<u>708,954</u>	<u>628,671</u>	<u>300,865</u>	<u>1,638,490</u>
OPERATING INCOME	<u>552,439</u>	<u>512,162</u>	<u>45,659</u>	<u>1,110,260</u>
NONOPERATING REVENUES (EXPENSES):				
Interest revenue	58,211	78,708	235	137,154
Interest expense and fiscal charges	(24,300)	—	—	(24,300)
TOTAL NONOPERATING REVENUES	<u>33,911</u>	<u>78,708</u>	<u>235</u>	<u>112,854</u>
CHANGE IN NET ASSETS	586,350	590,870	45,894	1,223,114
TOTAL NET ASSETS - BEGINNING	<u>6,244,190</u>	<u>4,392,377</u>	<u>245,396</u>	<u>10,881,963</u>
TOTAL NET ASSETS - ENDING	<u>\$ 6,830,540</u>	<u>\$ 4,983,247</u>	<u>\$ 291,290</u>	<u>\$12,105,077</u>

The notes to the financial statements are an integral part of this statement.

GRANTSVILLE CITY CORPORATION

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Garbage Utility</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	\$ 1,262,208	\$ 1,139,234	\$ 343,693	\$ 2,745,135
Payments to suppliers	(220,977)	(189,044)	(315,994)	(726,015)
Payments to employees	(201,057)	(193,124)	(3,079)	(397,260)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>840,174</u>	<u>757,066</u>	<u>24,620</u>	<u>1,621,860</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchases of capital assets	(214,602)	(22,261)	—	(236,863)
Principal paid on capital debt	(38,000)	(164,000)	—	(202,000)
Interest paid on capital debt	(24,300)	—	—	(24,300)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(276,902)</u>	<u>(186,261)</u>	<u>—</u>	<u>(463,163)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	<u>58,211</u>	<u>78,708</u>	<u>235</u>	<u>137,154</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>58,211</u>	<u>78,708</u>	<u>235</u>	<u>137,154</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	621,483	649,513	24,855	1,295,851
CASH AND CASH EQUIVALENTS - BEGINNING (including \$494,270 and \$849,991 for the water and sewer utility funds, respectively, reported in restricted accounts)	<u>1,009,416</u>	<u>1,200,688</u>	<u>257,658</u>	<u>2,467,762</u>
CASH AND CASH EQUIVALENTS - ENDING (including \$1,046,120 and \$1,690,612 for the water and sewer utility funds, respectively, reported in restricted accounts)	<u>\$ 1,630,899</u>	<u>\$ 1,850,201</u>	<u>\$ 282,513</u>	<u>\$ 3,763,613</u>

GRANTSVILLE CITY CORPORATION

STATEMENT OF CASH FLOWS (CONTINUED)

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Garbage Utility</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ 552,439	\$ 512,162	\$ 45,659	\$ 1,110,260
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	271,085	267,017	—	538,102
Amortization expense	24,033	—	—	24,033
(Increase) decrease in accounts receivable	815	(1,599)	(2,831)	(3,615)
(Increase) in due from other funds	(52,462)	—	—	(52,462)
Increase (decrease) in accounts payable and accrued liabilities	44,264	(430)	(18,208)	25,626
(Decrease) in due to other funds	—	(20,084)	—	(20,084)
 TOTAL ADJUSTMENTS	 287,735	 244,904	 (21,039)	 511,600
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 \$ 840,174	 \$ 757,066	 \$ 24,620	 \$ 1,621,860

The notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

GRANTSVILLE CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Grantsville City Corporation is a municipal corporation governed by an elected mayor and a five member council. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the government. Grantsville City Corporation has no discretely presented component units and is itself not a component unit of any other entity. Each blended component unit has a June 30 year end.

Blended Component Units

The Municipal Building Authority was created by the City during fiscal year 1996. The Authority used the proceeds of tax exempt bonds to acquire capital assets for the City. The bonds are secured by a lease agreement with the City and have been retired through lease payments from the City. The Municipal Building Authority is governed by the City Council. Because the Authority's governing body is substantially the same as the City's, the financial data is included in the reporting entity using the blended method.

The City's Redevelopment Agency uses tax increment financing to support redevelopment projects within the City. The Agency is governed by the City's Mayor and City Council. Because the Agency's governing body is the same as the City's the financial data is included in the reporting entity using the blended method.

Complete financial statements for each of the individual component units may be obtained at the City's administrative offices.

Grantsville City Corporation
429 East Main Street
Grantsville, UT 84029

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

GRANTSVILLE CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects fund* accounts for the resources required for major capital improvements of the City.

GRANTSVILLE CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

The *redevelopment agency* accounts for revenues derived from specific taxes which are designated to finance particular functions of the City.

The government reports the following major proprietary funds:

The *water utility fund* accounts for the activities of the water distribution system of the City.

The *sewer utility fund* accounts for the activities of the sewage treatment plant, sewage pumping stations, and collection systems of the City.

The *garbage utility fund* accounts for the activities of the solid waste collection system of the City.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Utility enterprise fund, of the Sewer Utility enterprise fund, and of the Garbage Utility enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

GRANTSVILLE CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Reconciliation of Government-wide and Fund Financial Statements

Governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting, while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. As a result, there are important differences between the assets, liabilities, revenues and expense/expenditures reported on the fund financial statements and the government-wide financial statements. For example, many long-term assets and liabilities are excluded from the fund balance sheets but are included in the entity-wide financial statements. As a result there must be a reconciliation between the two statements to explain the differences. A reconciliation is included as part of the fund financial statements.

E. Budgetary Procedures and Budgetary Accounting

Budgetary procedures for the City have been established by the Uniform Fiscal Procedures Act adopted by the State of Utah, which requires the legal adoption of a budget for all funds. Furthermore, in accordance with state law, all appropriations, except capital projects fund appropriations, lapse at the end of the budget year; accordingly, no encumbrances are recorded. The basis of accounting applied to each fund budget is the same basis as the related fund's financial statements. The following are the legal procedures followed by the City:

1. On or before the first regularly scheduled meeting of the City Council in May, the City's Mayor, authorized under state statute to be appointed budget officer, submits a proposed operating budget for governmental fund types for which budgetary control is required by Utah State statute (i.e., General Fund, Capital Projects Fund, Debt Service Funds, and Special Revenue Funds), and an operating and capital budget for all proprietary fund types for the subsequent fiscal year. The budget documents include the proposed budget amounts requested by the department heads, along with the proposed budget amounts requested by the Mayor.
2. A public hearing is held to receive input on all aspects of the proposed budget. The hearing is preceded by a notice in the local newspaper. The notice is given at least seven days before the hearing and includes the time, date, and place of the hearing. All budget documents are required to be available for public inspection ten days prior to the public hearing.
3. On or before June 22, a final balanced budget must be adopted for the subsequent fiscal year beginning July 1.
4. The legal budgetary control is maintained at the departmental level. The Mayor, however, acting as budget officer, has the budget authority to transfer budget appropriations between individual line items within any department of any budgetary fund.
5. The City Council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.
6. A public hearing, as required in (2) above, must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.

GRANTSVILLE CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Procedures and Budgetary Accounting (continued)

7. Monthly interim financial reports are prepared by the City Recorder and presented to the City Council. These reports contain a budgetary statement showing a comparison of budget to actual for all budgetary funds of the City. Special budgetary reports, using an operating and capital expenditure concept, are prepared for proprietary funds.

The budgets presented for the General Fund and Redevelopment Agency Fund are designated as revised budgets. Throughout the year, the City Council approves all expenditures and makes amendments to the City's budget. Near year end, the City Council makes final amendments to the budget.

The budget passed for the Capital Projects Funds is an annual budget, based on estimates of annual expenditures. This budget is not based on project length for long-term capital projects.

No budget is presented in these financial statements for the Proprietary Funds. State law allows the City Council to amend the Proprietary Funds budgets without public hearing or public notice.

F. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

For purposes of the statement of cash flows, the Water Utility, Sewer Utility, and Garbage Utility Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

G. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered and for interfund loans or transfers. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Loans are reported as receivables and payables and are classified as "notes receivable-interfund," "notes payable-interfund," "due to other funds," or "due from other funds" on the balance sheet of the governmental fund financial statements. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation between the governmental fund statements and the government-wide columnar presentation.

H. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

GRANTSVILLE CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Inventories and Prepaid Items (continued)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

I. Restricted Cash and Cash Equivalents

Certain resources set aside for bond repayment, are classified as restricted cash and cash equivalents on the statement of net assets because their use is limited by applicable bond covenants. Other cash accounts are restricted by state law.

J. Capital Assets

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

In the government-wide financial statements and in the fund financial statements for proprietary funds, fixed assets are treated as capital assets. Capital assets include property, plant, equipment and infrastructure assets, e.g., roads, sidewalks, and similar items. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current fiscal year.

Property, plant, and equipment of the government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-50
Improvements	10-50
Infrastructure	10-30
Machinery and equipment	3-30
Vehicles	5-10
Office equipment	3-5

K. Fund Equity

In the fund financial statements, government funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific

GRANTSVILLE CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Fund Equity (continued)

purpose. Designations of fund balances represent tentative management plans that are subject to change.

L. Compensated Absences

All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation and retirements. Sick pay amounts are charged as wages when used.

M. Bond Discounts/Issuance Costs

In the government-wide statements costs of issuing bonds are capitalized and amortized on a straight-line basis over the life of the bonds. During the fiscal year ended June 30, 2007 the amortization expense related to deferred bond financing costs amounted to \$13,872 in governmental activities and \$24,033 in business-type activities of the government-wide financial statements.

N. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the City to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

O. Taxes and Other Significant Revenue

Property tax is assessed, levied, and collected by the county governments in the state of Utah. The City Council is authorized by state statute (10-6-133) to levy up to a tax rate of .007 of the market value against all real and personal property located within its boundaries. Property taxes become a lien on January 1 and are levied on the first Monday of August. Taxes are due and payable on November 1 and delinquent after November 30 of each year. Taxes on an individual piece of property may be delinquent up to five years before the property is sold for delinquent taxes.

Under state statute, the County Treasurer, acting as a tax collector, must settle and disburse all current tax collections to all taxing units by the end of March following the taxing year. Delinquent taxes are collected throughout the year and disbursed to the taxing units on a routine basis.

Property tax revenues are recognized when they become available in the general fund. Amounts that are measurable but not available are recorded as deferred revenue in the general fund and revenue in the government-wide financial statements. An accrual was made for measurable but unavailable property taxes receivable in the amount of \$751,519 at June 30, 2007.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. Franchise fees are collected and remitted to the City by the telephone, electric, and natural gas companies monthly, and the cable television company semi-annually.

GRANTSVILLE CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds”. The details of this \$2,125,885 difference are as follows:

Bonds payable	\$ 2,000,000
Less: deferred charge for issuance costs, net of amortization	(21,658)
Accrued interest payable	48,770
Compensated absences	<u>98,773</u>
 Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	 <u>\$ 2,125,885</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense”. The details of this \$2,703,060 difference are as follows:

Capital outlay	\$2,868,614
Depreciation expense	<u>(165,554)</u>
 Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	 <u>\$2,703,060</u>

Another element of that reconciliation states that; “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds”. The details of this \$60,867 difference are as follows:

Compensated absences	\$ (12,071)
Accrued interest	(34,924)
Amortization of issuance costs	<u>(13,872)</u>
 Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	 <u>\$ (60,867)</u>

GRANTSVILLE CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. DEPOSITS AND INVESTMENTS

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The City follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

A. Deposits

	<u>Bank Balances</u>	<u>Book Balances</u>
Cash on hand	\$ —	\$ 200
Cash on deposit	<u>1,110,541</u>	<u>1,069,630</u>
 TOTAL	 <u>\$ 1,110,541</u>	 <u>\$ 1,069,830</u>

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk. As of June 30, 2007, \$1,010,541 of the City's bank balances of \$1,110,541 was uninsured and uncollateralized.

B. Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury, including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "a" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council, which oversees the activities of the State

WOODS CROSS CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. DEPOSITS AND INVESTMENTS (CONTINUED)

Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses-net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2007, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Money market mutual funds	\$ 45,260	\$ 45,260	\$ —	\$ —	\$ —
State of Utah Public Treasurer's Investment Fund	<u>4,573,005</u>	<u>4,573,005</u>	<u>—</u>	<u>—</u>	<u>—</u>
TOTAL	<u>\$4,618,265</u>	<u>\$4,618,265</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed. As of June 30, 2007, the City's investments in money market mutual funds were rated AAA by Standard & Poor's and Aaa by Moody's Investor Service. The City's investments in the State of Utah Public Treasurer's Investment Fund were unrated.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy for reducing the risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5%-10% depending upon total dollar amount held in the portfolio.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk.

GRANTSVILLE CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES:				
Capital assets not being depreciated:				
Land	\$ 730,332	\$ —	\$ —	\$ 730,332
Construction-in-progress	<u>205,786</u>	<u>—</u>	<u>(177,475)</u>	<u>28,311</u>
Total capital assets not being depreciated	936,118	—	(177,475)	758,643
Capital assets being depreciated:				
Buildings	834,327	2,376,472	(2,890)	3,207,909
Improvements	238,178	—	—	238,178
Machinery and equipment	1,210,884	45,518	(51,899)	1,204,503
Infrastructure	<u>401,920</u>	<u>624,099</u>	<u>—</u>	<u>1,026,019</u>
Total capital assets being depreciated	2,685,309	3,046,089	(54,789)	5,676,609
Less accumulated depreciation for:				
Buildings	(224,042)	(27,065)	2,890	(248,217)
Improvements	(97,715)	(13,911)	—	(111,626)
Machinery and equipment	(846,169)	(84,907)	51,899	(879,177)
Infrastructure	<u>(33,309)</u>	<u>(39,671)</u>	<u>—</u>	<u>(72,980)</u>
Total accumulated depreciation	(1,201,235)	(165,554)	54,789	(1,312,000)
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	<u>1,484,074</u>	<u>2,880,535</u>	<u>—</u>	<u>4,364,609</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 2,420,192</u>	<u>\$ 2,880,535</u>	<u>\$(177,475)</u>	<u>\$ 5,123,252</u>
BUSINESS-TYPE ACTIVITIES:				
Capital assets not being depreciated:				
Land	\$ —	\$ —	\$ —	\$ —
Capital assets being depreciated:				
Buildings	786,512	—	—	786,512
Improvements	13,406,134	197,740	(286,888)	13,316,986
Machinery and equipment	<u>709,062</u>	<u>39,123</u>	<u>(113,265)</u>	<u>634,920</u>
Total capital assets being depreciated	14,901,708	236,863	(400,153)	14,738,418
Less accumulated depreciation for:				
Buildings	(353,342)	(23,557)	—	(376,899)
Improvements	(4,399,758)	(474,669)	286,888	(4,587,539)
Machinery and equipment	<u>(435,820)</u>	<u>(39,876)</u>	<u>113,265</u>	<u>(362,431)</u>
Total accumulated depreciation	(5,188,920)	(538,102)	400,153	(5,326,869)
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	<u>9,712,788</u>	<u>(301,239)</u>	<u>—</u>	<u>9,411,549</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 9,712,788</u>	<u>\$ (301,239)</u>	<u>\$ —</u>	<u>\$ 9,411,549</u>

GRANTSVILLE CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows:

GOVERNMENTAL ACTIVITIES:

General government	\$ 23,369
Public safety	46,186
Highway and public works	78,540
Parks and recreation	<u>17,459</u>

TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 165,554</u>
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BUSINESS-TYPE ACTIVITIES:

Water	\$ 271,085
Sewer	<u>267,017</u>

TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES	<u>\$ 538,102</u>
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5. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2007, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Interfund notes receivable/payable:		
Sewer Utility	Capital Projects	\$ 335,256
	Redevelopment Agency	<u>95,084</u>
TOTAL		<u>\$ 430,340</u>
Due to/from other funds:		
Water Utility	Sewer Utility	<u>\$ 52,462</u>

The interfund payable balance in the capital projects fund reflects the amount due to the sewer utility fund for a loan made in 2004 to fund the purchase of historic farm property. The interfund payable balance in the Redevelopment Agency fund reflects the amount due to the sewer utility fund for a loan made in 2004 to fund professional fees related to a sewer transmission line project in the Redevelopment Agency. Debt service on this loan will be made with tax increment proceeds received by the Redevelopment Agency.

6. NOTE RECEIVABLE

The note receivable consists of an amount due from an entity for a land purchase in 2006. The original amount of the note was \$82,725. The note receivable bears interest at 1%, and principal and all accrued interest is due on April 12, 2035.

GRANTSVILLE CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. LONG-TERM DEBT

Revenue Bonds

The government issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. The original amount of revenue bonds issued in prior years was \$2,000,000 for governmental activities and \$4,008,000 for business-type activities. During the current year, the 2004 Redevelopment Agency tax increment revenue bonds were retired. Revenue bonds outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Waste water treatment – Sewer Utility	0.00%	\$1,312,000
Culinary water system – Water Utility	5.00%	448,000
Fire station – Municipal Building Authority	3.50%	<u>2,000,000</u>
TOTAL		<u>\$3,760,000</u>

Revenue bond debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>
2008	\$ 244,000	\$ 92,400
2009	246,000	88,985
2010	251,000	85,485
2011	254,000	81,765
2012	257,000	77,910
2013-2017	963,000	325,655
2018-2022	295,000	250,425
2023-2027	349,000	195,195
2028-2032	415,000	129,675
2033-2037	<u>486,000</u>	<u>51,765</u>
TOTAL	<u>\$ 3,760,000</u>	<u>\$ 1,379,260</u>

Long-term liability activity for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES:					
Revenue bonds payable	\$ 2,667,000	\$ —	\$ (667,000)	\$ 2,000,000	\$ 39,000
Compensated absences	<u>86,702</u>	<u>12,071</u>	<u>—</u>	<u>98,773</u>	<u>47,513</u>
GOVERNMENTAL ACTIVITY LONG-TERM LIABILITIES	<u>\$ 2,753,702</u>	<u>\$ 12,071</u>	<u>\$ (667,000)</u>	<u>\$ 2,098,773</u>	<u>\$ 86,513</u>
BUSINESS-TYPE ACTIVITIES:					
Revenue bonds payable	<u>\$ 1,962,000</u>	<u>\$ —</u>	<u>\$ (202,000)</u>	<u>\$ 1,760,000</u>	<u>\$ 205,000</u>
BUSINESS-TYPE ACTIVITY LONG-TERM LIABILITIES	<u>\$ 1,962,000</u>	<u>\$ —</u>	<u>\$ (202,000)</u>	<u>\$ 1,760,000</u>	<u>\$ 205,000</u>

GRANTSVILLE CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. RETIREMENT PLANS

Grantsville City Corporation contributes to the Local Governmental Noncontributory Retirement System and the Public Safety Retirement System for employers with Social Security coverage, both of which are cost sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide retirement benefits, annual cost of living allowances, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling (800) 365-8772.

Plan members in the Public Safety Contributory System are required to contribute 12.29% of their annual covered salary (all or part may be paid by the employer for the employee) and Grantsville City Corporation is required to contribute 11.01% of their annual covered salary. In the Public Safety Noncontributory System, Grantsville City is required to contribute 22.38% of covered salary. In the Local Governmental Noncontributory Retirement System, Grantsville City is required to contribute 11.59% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Contributions to the Local Governmental Noncontributory Retirement System for the years ending June 30, 2007, 2006, and 2005 were \$96,263, \$75,298, and \$68,490 respectively. Salary subject to retirement contributions were \$830,570, \$678,965, and \$617,584 for the same years.

Contributions to the Public Safety Contributory System for the years ending June 30, 2007, 2006, and 2005 were \$61,984, \$45,471, and \$42,484 respectively. Salary subject to retirement contributions were \$266,025, \$224,661, and \$212,524 for the same years.

Contributions to the Public Safety Noncontributory System for the years ending June 30, 2007, 2006, and 2005 were \$15,138, \$11,045, and \$15,828, respectively. Salary subject to retirement contributions were \$67,638, \$57,109, and \$82,955, for the same years.

The Contributions were equal to the required contributions for each year.

Employees of the City may also participate in a 401(k) Defined Contribution Plan. The City's contributions to the Plan for June 30, 2007, 2006, and 2005 were \$124,962, \$81,754, and \$47,303 respectively. Employee contributions to the 401(k) Plan for June 30, 2007, 2006, and 2005, were \$19,909, \$21,542, and \$16,909 respectively.

GRANTSVILLE CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. REDEVELOPMENT AGENCY

In accordance with Utah Code Section 17B-4-1305(2), the City's Redevelopment Agency is required to disclose the following information for fiscal year 2007:

A. The tax increment collected by the Agency for each project area is as follows:

<u>Project Area</u>	<u>2007</u>
Industrial Park	<u>\$ 774,974</u>
TOTAL INCREMENT RECEIVED	<u>\$ 774,974</u>

B. There were no amounts of tax increment paid to any taxing agency during the year.

C. The outstanding principal amount at June 30, 2007, of bonds issued to finance the costs associated with the project area was \$ -0-.

D. The agency expended the following during the year:

	<u>2007</u>
Principal on bonds	\$ 667,000
Interest on bonds	<u>28,231</u>
TOTAL EXPENDITURES	<u>\$ 695,231</u>

10. SUBSEQUENT EVENTS

Subsequent to June 30, 2007, the City entered into a contract for a sewer line project. The amount of the contract is approximately \$209,000.

11. RISK MANAGEMENT

The City, as a provider of municipal services, is exposed to a number of risks. Among these are: police enforcement liability, auto liability, road maintenance exposure, public official's errors and omissions, and property losses. The City has determined that the inherent risk of providing services necessitates implementing risk management policies and purchasing commercial liability insurance. This combination has resulted in fewer claims against the City and sufficient protection when claims occur. The City has not incurred any claims in excess of its coverage for any of the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

GRANTSVILLE CITY CORPORATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 1,874,000	\$ 1,874,000	\$ 1,872,672	\$ (1,328)
Licenses and permits	264,000	20,700	395,225	374,525
Intergovernmental	415,121	412,800	372,090	(40,710)
Charges for services	361,400	513,700	461,264	(52,436)
Impact fees	105,000	231,000	201,775	(29,225)
Fines and forfeitures	165,100	165,100	176,457	11,357
Investment earnings	100,500	130,500	82,512	(47,988)
Miscellaneous revenues	<u>23,500</u>	<u>126,500</u>	<u>59,179</u>	<u>(67,321)</u>
TOTAL REVENUES	<u>3,308,621</u>	<u>3,474,300</u>	<u>3,621,174</u>	<u>146,874</u>
EXPENDITURES:				
Current:				
General government:				
Administrative	566,146	733,000	871,396	(138,396)
Judicial	131,160	178,000	160,489	17,511
City Hall	63,000	80,000	83,808	(3,808)
Planning and zoning	223,703	163,260	166,538	(3,278)
Public safety:				
Police department	958,000	959,400	934,751	24,649
Fire department	383,350	278,800	171,571	107,229
Building inspection	124,964	188,000	183,652	4,348
Animal control	67,400	67,400	69,372	(1,972)
Highways and public works:				
Street department	211,463	236,463	234,978	1,485
Class "C" roads	502,960	543,000	497,551	45,449
Storm drains	—	367,000	336,462	30,538
Parks and recreation:				
Parks	382,535	484,200	377,477	106,723
Cemetery	<u>75,500</u>	<u>30,000</u>	<u>33,139</u>	<u>(3,139)</u>
TOTAL EXPENDITURES	<u>3,690,181</u>	<u>4,308,523</u>	<u>4,121,184</u>	<u>187,339</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(381,560)</u>	<u>(834,223)</u>	<u>(500,010)</u>	<u>334,213</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
NET CHANGE IN FUND BALANCES	(381,560)	(834,223)	(500,010)	334,213
FUND BALANCES – BEGINNING	<u>2,065,330</u>	<u>2,065,330</u>	<u>2,065,330</u>	<u>—</u>
FUND BALANCES – ENDING	<u>\$ 1,683,770</u>	<u>\$ 1,231,107</u>	<u>\$ 1,565,320</u>	<u>\$ 334,213</u>

GRANTSVILLE CITY CORPORATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

REDEVELOPMENT AGENCY

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget-</u>
				<u>Positive</u>
				<u>(Negative)</u>
REVENUES:				
Taxes	<u>\$ 745,283</u>	<u>\$ 745,283</u>	<u>\$ 774,974</u>	<u>\$ 29,691</u>
TOTAL REVENUES	<u>745,283</u>	<u>745,283</u>	<u>774,974</u>	<u>29,691</u>
EXPENDITURES:				
Current:				
General government	1,000	—	—	—
Debt service:				
Principal retirement	—	—	667,000	(667,000)
Interest and fiscal charges	<u>745,283</u>	<u>745,283</u>	<u>28,231</u>	<u>717,052</u>
TOTAL EXPENDITURES	<u>746,283</u>	<u>745,283</u>	<u>695,231</u>	<u>50,052</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(1,000)</u>	<u>—</u>	<u>79,743</u>	<u>79,743</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
TOTAL OTHER FINANCING SOURCES	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
NET CHANGE IN FUND BALANCES	<u>(1,000)</u>	<u>—</u>	<u>79,743</u>	<u>79,743</u>
FUND BALANCES - BEGINNING OF YEAR	<u>82,539</u>	<u>82,539</u>	<u>82,539</u>	<u>—</u>
FUND BALANCES - END OF YEAR	<u>\$ 81,539</u>	<u>\$ 82,539</u>	<u>\$ 162,282</u>	<u>\$ 79,743</u>

OTHER SUPPLEMENTARY INFORMATION

GRANTSVILLE CITY CORPORATION

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2007

	<u>Debt Service</u>	<u>Special Revenue</u>	
	<u>Municipal Building Authority Bonds</u>	<u>Special Improvement District</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS:			
Cash and cash equivalents	\$ 10,106	\$ 2,193	\$ 12,299
Special assessment receivable	<u>—</u>	<u>261</u>	<u>261</u>
TOTAL ASSETS	<u>\$ 10,106</u>	<u>\$ 2,454</u>	<u>\$ 12,560</u>
LIABILITIES AND FUND BALANCES:			
Liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Fund balances:			
Reserved for debt service	10,106	—	10,106
Unreserved	<u>—</u>	<u>2,454</u>	<u>2,454</u>
TOTAL FUND BALANCES	<u>10,106</u>	<u>2,454</u>	<u>12,560</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,106</u>	<u>\$ 2,454</u>	<u>\$ 12,560</u>

GRANTSVILLE CITY CORPORATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Debt Service</u>	<u>Special Revenue</u>	
	Municipal Building Authority Bonds	Special Improvement District	Total Nonmajor Governmental Funds
REVENUES:			
Investment earnings	\$ 1,595	\$ 36	\$ 1,631
TOTAL REVENUES	<u>1,595</u>	<u>36</u>	<u>1,631</u>
EXPENDITURES:			
Current:			
General government	7	—	7
Debt service:			
Principal	—	—	—
Interest and fiscal charges	<u>—</u>	<u>—</u>	<u>—</u>
TOTAL EXPENDITURES	<u>7</u>	<u>—</u>	<u>—</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,588</u>	<u>36</u>	<u>1,624</u>
OTHER FINANCING SOURCES (USES):			
Transfers in (out)	<u>—</u>	<u>—</u>	<u>—</u>
TOTAL OTHER FINANCING (USES)	<u>—</u>	<u>—</u>	<u>—</u>
NET CHANGE IN FUND BALANCES	1,588	36	1,624
FUND BALANCES - BEGINNING	<u>8,518</u>	<u>2,418</u>	<u>10,936</u>
FUND BALANCES - ENDING	<u>\$ 10,106</u>	<u>\$ 2,454</u>	<u>\$ 12,560</u>

GRANTSVILLE CITY CORPORATION

SCHEDULE OF IMPACT FEES

FOR THE YEAR ENDED JUNE 30, 2007

Grantsville City Corporation collects water facility, water source, sewer, parks, and public safety impact fees. The following is a recap of the impact fees outstanding by year of collection:

<u>Year Collected</u>	<u>Water Facility</u>	<u>Water Source</u>	<u>Sewer</u>	<u>Parks</u>	<u>Public Safety</u>
2001	\$ —	\$ —	\$ 83,957	—	—
2002	—	—	81,362	—	—
2003	—	—	61,767	—	—
2004	—	—	57,207	—	—
2005	—	228,455	190,934	67,568	63,155
2006	—	111,744	259,335	85,293	46,474
2007	<u>477,943</u>	<u>132,096</u>	<u>641,717</u>	<u>147,882</u>	<u>65,774</u>
TOTAL	<u>\$ 477,943</u>	<u>\$ 472,295</u>	<u>\$1,376,279</u>	<u>\$ 300,743</u>	<u>\$ 175,403</u>

The following capital projects are planned to use the impact fees shown above:

<u>Planned Capital Project</u>	<u>Projected Cost</u>	<u>Anticipated Start Date</u>	<u>Impact Fee Type</u>
Sewer Mechanical Plant	\$11,000,000	2008	Sewer
Redesign Disinfecting Ammonia Treatment (Sewer)	\$ 1,515,000	2008	Sewer
Matthew's Lane Sewer Collector	\$ 240,000	2008	Sewer
Arena	\$ 70,000	2009	Parks
RV Park	\$ 15,000	2010	Parks
West Bench Water Pipeline	\$ 1,315,000	2011	Water Facility
West Water Tank	\$ 1,052,000	2011	Water Facility
West Well	\$ 848,000	2011	Water Facility
South Hale Pipeline Extension	\$ 270,000	2016	Water Facility



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and
Members of the City Council
Grantsville City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grantsville City Corporation as of and for the year ended June 30, 2007, which collectively comprise Grantsville City Corporation's basic financial statements and have issued our report thereon dated January 23, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grantsville City Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Grantsville City Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider certain deficiencies described in a separate letter issued to management to be significant deficiencies in internal control over financial reporting (items 1 through 14).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 3 through 14 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grantsville City Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in a separate management letter dated January 23, 2008 as items 15 through 23.

This report is intended for the information of the City Council, management, and applicable regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Pinnock, Robbins, Posey & Richins

January 23, 2008



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INDEPENDENT AUDITORS' REPORT ON STATE OF UTAH LEGAL COMPLIANCE

To The Honorable Mayor and
Members of the City Council
Grantsville City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Grantsville City Corporation, Utah, for the year ended June 30, 2007, and have issued our report thereon dated January 23, 2008. Our audit included testwork on the City's compliance with the general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt	Liquor Law Enforcement
Cash Management	Justice Courts
Purchasing Requirements	B & C Road Funds
Budgetary Compliance	Other General Compliance Issues
Truth in Taxation and Property Tax Limitations	Uniform Building Code Standards
	Impact Fees

The City did not receive any major or nonmajor State grants during the year ended June 30, 2007.

The management of Grantsville City Corporation is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter as items 15 through 23. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Grantsville City Corporation, Utah, complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2007.

Pinnock, Robbins, Posey & Richins

January 23, 2008